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Peru

Oilseeds and Products

Annual

2006

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Report Highlights:
Soybean meal imports in CY 2006 is forecast at 685,000 and oil imports at 265,000 MT. Fishmeal production in CY 2006 is estimated at 1.95 MMT. Total catch for reduction in CY 2005 was 8.81 MMT.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Lima [PE1]
[PE]

Summary

Soybean meal imports are forecast at 685,000 MT for CY 2006, about two percent more than the previous year. Total soybean meal imports in CY 2005 were 670,560 MT. With 306,812 MT, Paraguay was the leading soybean meal exporter to Peru in 2005 followed by Argentina with 290,818 MT and Bolivia with 65,588 MT.

Soybean oil imports are forecast at 265,000 MT in CY 2006. Imports in CY 2005 were 263,000 MT.

The recently negotiated U.S.- Peru Trade Promotion Agreement will grant duty free entrance to U.S. soybeans, soybean meal and crude oil into Peru as soon as the agreement enters into force, which is estimated on January 1, 2007.

Total fish catch for reduction in CY 2006 is forecast at 8.6 MMT, a slight increase from CY 2005. Fish meal production for Calendar Year 2006 is estimated in 1.95 MMT, a minor increase from the 1.91 MMT in 2005. Local fishmeal consumption is insignificant, only accounts for three to five percent of total production, consumption for CY 2006 is forecast at about 60,000 MT.

The GOP continues to enforce several measures to assure the sustainability of the biomass. These measures include two fishing seasons during each year. Other measures are fishing quotas, banning fishing when fish size is less than 12 centimeters, size of the fishing net, big enough to allow small fish through, establishment of a protected area within five miles from shore, in which no industrial fishing is allowed. The use jack mackarel or horse mackarel for fishmeal is also prohibited.

Fish oil production for CY 2006 is forecast at 290,000 MT, an increase of 4,000 MT compared to the previous year. Oil extraction is directly related to water temperatures, so it can vary significantly from year to year.

PSD Table							
Country	Peru						
Commodity	Meal, Soybean				(1000 MT)(PERCENT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Crush	2	0	2	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0.5	0	0.5	0	0	0	(PERCENT)
Beginning Stocks	10	22	10	30	10	20	(1000 MT)
Production	1	0	1	0	0	0	(1000 MT)
MY Imports	653	670	670	685	0	700	(1000 MT)
MY Imp. from U.S.	0	7	0	10	0	25	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	664	692	681	715	10	720	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consum	654	662	671	695	0	705	(1000 MT)
TOTAL Dom. Consumption	654	662	671	695	0	705	(1000 MT)
Ending Stocks	10	30	10	20	0	15	(1000 MT)
TOTAL DISTRIBUTION	664	692	681	715	0	720	(1000 MT)
Calendar Year Imports	0	581	0	670	0	685	(1000 MT)
Calendar Yr Imp. U.S.	0	48	0	7	0	10	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Import Trade Matrix	
Country	Peru
Commodity	Oilseed, Soybean
Time Period	CY 2005
Imports from:	
U.S.	7,341
Others	
Paraguay	306,812
Argentina	290,818
Bolivia	65,588
Total for Others	663,218
Others not Listed	1
Grand Total	670,560

Units: Metric Tons

Soybean meal

Outlook

Soybean meal imports are forecast at 685,000 MT for CY 2006, about two percent more than the previous year. Increasing demand from the poultry sector and high prices of fishmeal will continue driving demand for imported soybean meal, which is directly affected by fishmeal production and prices.

With a per capita consumption of about 24 kilograms per annum, chicken meat is a staple product in the Peruvian diet and the second cheapest source protein after fish. Peru's poultry population is about 320 million birds per year and the main user of soybean meal, which constitutes about 12 percent of the broiler's feed. Poultry production is expected to grow between two and three percent in CY 2006.

Poultry prices fell significantly during the first semester of CY 2005 due to excess demand. Since a large poultry operation began exporting chicken meat to Asia, some producers expected a shortage in the local market and increased its bird population up to 40 percent, which brought total bird population to about 30 million birds per month. As a result prices fell to around 36 percent under the cost of production. Poultry production went back to normal during the second semester of 2005 and prices recovered but not without an important financial set back in the sector.

Total soybean imports in CY 2005 were 670,560 MT. With 306,812 MT, Paraguay was the leading soybean meal exporter to Peru in 2005 followed by Argentina with 290,818 MT and Bolivia with 65,588 MT. The U.S. only exported 7, 341 MT, a significant decrease compared to the almost 48,000 MT exported in CY 2004 due to more availability from competitors.

U.S.-Peru Trade Promotion Act

The recently negotiated U.S.- Peru Trade Promotion Agreement will grant duty free entrance to U.S. soybeans and soybean meal into Peru as soon as the agreement enters into force, which is estimated on January 1, 2007.

Current Peru soybean imports fro the U.S. are almost non- existent. Soybean imports are assessed 4 percent duty. Peru grants 40 percent tariff preference to Argentina and Brazil and duty free entrance to Bolivian beans. Soybean meal imports are assessed 4 percent import duty. Peru grants 100 percent tariff reduction for Bolivian meal, 70 percent reduction for Paraguayan meal and 35 percent for Argentine meal.

Biotechnology

Overall Peru maintains a positive attitude towards biotechnology. In fact, the GOP has drafted a new law to promote and regulate the use of biotechnology. In the last year, GOP officials have attended international forums on biotechnology and raised their voice in favor of its use as a tool to develop the agricultural sector and reduce production costs for producers.

PSD Table							
Country	Peru						
Commodity	Oil, Soybean				(1000 MT)(PERCENT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Crush	2	0	2	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	(PERCENT)
Beginning Stocks	10	17	10	16	10	16	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	265	263	278	265	0	268	(1000 MT)
MY Imp. from U.S.	40	11	0	15	0	15	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	275	280	288	281	10	284	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	265	264	278	265	0	266	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	265	264	278	265	0	266	(1000 MT)
Ending Stocks	10	16	10	16	0	18	(1000 MT)
TOTAL DISTRIBUTION	275	280	288	281	0	284	(1000 MT)
Calendar Year Imports	0	230	0	263	0	265	(1000 MT)
Calendar Yr Imp. U.S.	0	29	0	11	0	15	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Import Trade Matrix	
Country	Peru
Commodity	Oil, Soybean
Time Period	CY 2005
Imports from:	
U.S.	11,401
Others	
Argentina	227,718
Bolivia	15,778
Brazil	6,696
Total for Others	250,192
Others not Listed	1,325
Grand Total	262,918

Units: Metric Tons

Soybean oil

Outlook

Soybean oil imports are forecast at 265,000 MT in CY 2006. Imports in CY 2005 were 263,000 MT. Soy oil consumption in CY 2005 was 264,000 MT, six percent higher than in CY 2004. Peru does not produce any soybeans, so there is no crushing for oil. The only crushing capacity is to produce full fat soy meal for feed.

U.S.-Peru Trade Promotion Act

Crude soybean oil imports are assessed four percent duty and processed soy oil imports are assessed 12 percent. Peru has several bilateral trade agreements for crude soybean oil. Imports from Bolivia are duty free, while imports from Paraguay are granted 90 percent tariff reduction. Soybean oil from Argentina has 80 percent tariff reduction. The U.S.-Peru Trade Promotion Act will grant duty free entrance to U.S. soy oil as soon as the agreement enters into force, which is estimated on January 1, 2007.

PSD Table							
Country	Peru						
Commodity	Meal, Fish				(1000 MT)(PER CENT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Catch For Reduction	8900	8810	9015	8531	0	8600	(1000 MT)
Extr. Rate, 999.9999	0.2241573	0.2178206	0.2240709	0.2285781	0	0.2267441	(PERCENT)
Beginning Stocks	25	318	25	171	25	61	(1000 MT)
Production	1995	1919	2020	1950	0	1950	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2020	2237	2045	2121	25	2011	(1000 MT)
MY Exports	1950	2001	1975	2000	0	1900	(1000 MT)
MY Exp. to the EC	0	362	0	500	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consum	45	65	45	60	0	60	(1000 MT)
TOTAL Dom. Consumption	45	65	45	60	0	60	(1000 MT)
Ending Stocks	25	171	25	61	0	51	(1000 MT)
TOTAL DISTRIBUTION	2020	2237	2045	2121	0	2011	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	1315	1971	0	2001	0	2000	(1000 MT)
Calndr Yr Exp. to U.S.	0	43	0	11	0	20	(1000 MT)

Export Trade Matrix	
Country	Peru
Commodity	Meal, Fish
Time Period	CY 2005
Exports for:	
U.S.	11,349
Others	
China	1,049,412
Germany	235,871
Japan	170,123
Taiwan	84,398
Spain	42,624
Indonesia	39,069
Canada	35,704
Turkey	35,347
France	24,686
UK	22,142
Total for Others	1,739,376
Others not Listed	250,357
Grand Total	2,001,082

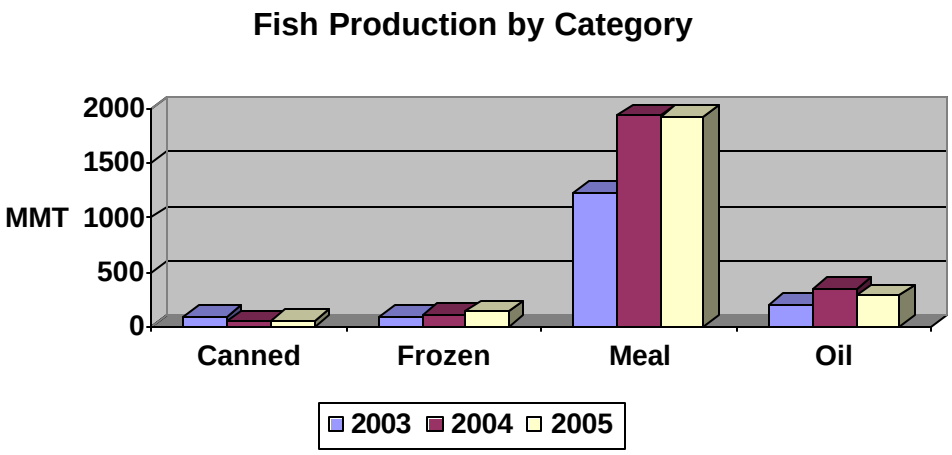
Units: Metric Tons

Fishmeal

Production

Fishmeal production for Calendar Year 2006 is estimated in 1.95 MMT, a slight increase from the 1.91 MMT in 2005. Total fish catch for reduction in CY 2006 is forecast at 8.6 MMT, a slight increase from CY 2005. Almost 92 percent of Peru's total fish catch is used to produce fishmeal and oil, and only 8 percent for human consumption.

Peru produces two types of fishmeal. Fair Average Quality (FAQ), with a protein content between 62 and 65 percent, which is dried by direct fire; and Prime, which is indirectly dried by steam and has a protein content of 66-67 percent. Fishmeal prices range from $480 per MT for FAQ fishmeal to $600 per MT for prime fishmeal.



The Peruvian fishing industry continues struggling with the financial crisis originated by the 1997/1998 El Niño weather phenomenon which drove the fish away from the Peruvian coasts and halted all industrial fishing activity for 18 months. Additionally, the strong devaluation of Asian currencies in 1999, main markets for Peruvian fishmeal, brought a sound industry almost to bankruptcy. Currently, the total industry debt is estimated at $1.15 billion, of which about $150 million are paid annually. The three largest companies account for about 25 percent of the debt.

There are 90 fishmeal plants currently working in Peru, of a total of 110 plants. The Peruvian fishing fleet is comprised of 984 boats, 684 steel boats with storage capacity over 500 cubic meters and 300 wooden boats with storage capacity of 110 cubic meters. Total processing capacity is 7,500 MT per hour, about four times more than they are allow to catch.

Enforcement of environmental regulation has pushed processing plants to invest on better and more efficient equipment. Most of plants now have "tail-water" discharge recovery and airborne particle recovery systems, both of which translate into higher extraction rates. Plants are also forced to pump residual water at least 13 kilometers and 50 meters deep. Larger producers continue investing in canning or freezing lines, to convert more of the catch to higher valued products for human consumption, a trend expected to continue.

Consumption

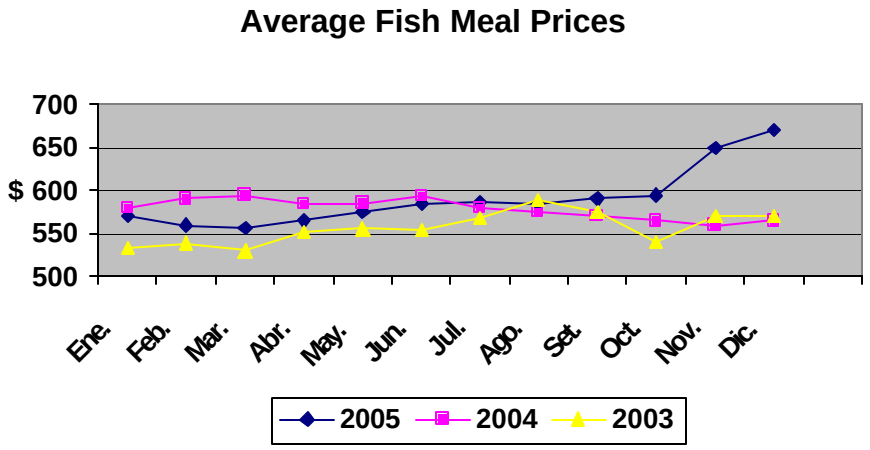
Local fishmeal consumption is insignificant, only accounts for three to five percent of total production and does not have a great impact on the export market. Consumption for CY 2006 is forecast at about 60,000 MT. Local consumption is expected to increase somewhat in the upcoming years due to an increase demand from the aquaculture industry, but it will still not have a significant impact on fishmeal exports or price.

Trade

Fishmeal exports for CY 2006 are forecast at 2 MMT. With 1.049 MMT, China continued to be the major Peruvian fishmeal importer in CY 2005, followed by Germany (235,871 MT), Japan (170,123 MT) and Taiwan (84,398 MT).

Average fishmeal prices were steady during the first semester of CY 2005, but increased sharply during the last semester, particularly in the last quarter, reaching $670 per MT in December due to lack of production as a result of a fishing ban.

Total fisheries exports were $1.6 billion in CY 2005, a 14 percent increase compared to the previous year. Fishmeal exports in CY 2005 were $1.15 billion, almost 21 percent more than the previous year. What Peruvians call direct consumption products, as opposed to indirect consumption vis a vis fishmeal, are expected to increase significantly in the upcoming years. Frozen fish exports were $262 million in CY 2005, increasing 20 percent from the previous year.



Policy

The GOP is concerned about the sustainable limits of fish catches, and sets limits for the processing capacity of plants and the fishing capacity of fleets. Every processing plant and fishing vessel must apply for an operating permit, and receive a quota, from the Ministry of Fisheries, before it can begin operations each season. Moreover, the government is no longer issuing permits to build new plants nor boats. The only venue to acquire a fishing boat is to buy one that already has a fishing permit.

The GOP continues to enforce several measures to assure the sustainability of the biomass. These measures include two fishing seasons during each year. These seasonal fishing bans are implemented during the anchovy spawning seasons and may vary somewhat from year to year. Usually the bans are enforced from January to mid March and from August to mid October. Other measures are:

- Fishing quota, which is usually around 8.5 MMT.
- Measurement of the fish size, fishing is not allowed if the size of the fish is less than 12 centimeters.
- Size of the fishing net, big enough to allow small fish through.
- Establishment of a protected area, five miles from shore, in which no industrial fishing is allowed.
- The GOP has also prohibits the use jack mackarel or horse mackarel for fishmeal, only anchovy is allowed for industrial processing with a maximum of 11 percent of incidental fishing (species other than anchovy).

The GOP enforces these measures through satellite screening and inspection. SGS was awarded a $7 million contract to inspect 150 unloading points along the coast during the fishing seasons.

PSD Table							
Country	Peru						
Commodity	Oil, Fish				(1000 MT)(PERCENT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Catch For Reduction	8900	8810	9015	8531	0	8600	(1000 MT)
Extr. Rate, 999.9999	0	0.0324631	0	0.0339936	0	0.0343023	(PERCENT)
Beginning Stocks	0	3	0	1	0	1	(1000 MT)
Production	0	286	0	290	0	295	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	0	289	0	291	0	296	(1000 MT)
MY Exports	0	268	0	265	0	267	(1000 MT)
MY Exp. to the EC	0	169	0	175	0	180	(1000 MT)
Industrial Dom. Consum	0	3	0	3	0	2	(1000 MT)
Food Use Dom. Consump.	0	2	0	2	0	2	(1000 MT)
Feed Waste Dom. Consum	0	15	0	20	0	25	(1000 MT)
TOTAL Dom. Consumption	0	20	0	25	0	29	(1000 MT)
Ending Stocks	0	1	0	1	0	0	(1000 MT)
TOTAL DISTRIBUTION	0	289	0	291	0	296	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	350	0	268	0	265	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Export Trade Matrix	
Country	Peru
Commodity	Oil, Fish
Time Period	CY 2005
Exports for:	
U.S.	0
Others	
Belgium	94,237
Denmark	47,402
Chile	44,994
Canada	23,493
Japan	12,499
Italy	10,104
Total for Others	232,729
Others not Listed	35,515
Grand Total	268,244

Units: Metric Tons

Fish Oil

Outlook

Fish oil production for CY 2006 is forecast at 290,000 MT, a slight increase compared to the previous year. Oil extraction is directly related to water temperatures so it can vary significantly from year to year. Under normal weather conditions the oil extraction rate should be around 8 to 10 percent, but it drop as low as one percent.

Exports for CY 2006 are forecast at 265,000 MT. Oil production and exports are difficult to forecast due to the high variability in fish oil content and the lack of official statistics. Belgium, Denmark and Chile were the most important importers of Peru's fish oil with 26 percent, 18 percent and 16 percent of the total exports respectively.

Consumption in CY 2005 is forecast at 56,000 MT, 22 percent lower than CY 2004. This decrease in local consumption is the result of an increasing fish oil demand in other countries, especially Chile, for their salmon industry. Post foresees this trend continuing in the upcoming years.